

Message Text

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ORIGIN STR-04

INFO OCT-01 ARA-14 IO-14 ISO-00 STRE-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-01 H-02
INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02
AID-05 SS-15 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02
OMB-01 /112 R

DRAFTED BY STR/BASTEINBOCK/WKNEPPER/TK
APPROVED BY STR/SLLANDE
ARA/MEX/EBITTNER (DRAFT)
EB/OT/GCP/RREIS (DRAFT)
ARA/ECP/JO'MAHONY (DRAFT)
COMMERCE/RADES (DRAFT)
AGRI/GHEIMPEL (DRAFT)
LABOR/BWHITE (DRAFT)
TREAS/JJOHNSON (DRAFT)

-----101071 050606Z /13

R 040031Z AUG 77
FM SECSTATE WASHDC
TO AMEMBASSY MEXICO
INFO USMISSION GENEVA

UNCLAS STATE 182775

E.O. 11652: N/A

TAGS: ETRD, MTN, MX

SUBJECT: RAPPORTEUR'S REPORT OF THE MEETING OF THE U.S.-
MEXICO SUBGROUP ON TRADE

FOR: MTN

1. IT WAS AGREED AT THE SUBJECT MEETING, JULY 21-22, THAT
A DRAFT RAPPORTEUR'S REPORT WOULD BE FORWARDED BY TELEGRAM
VIA U.S. EMBASSY MEXICO CITY TO ABEL GARRIDO FOR HIS
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CLEARANCE. EMBASSY IS REQUESTED TO FORWARD REPORT AS GIVEN
BELOW TO MR. GARRIDO. IF EMBASSY (HAYNES) HAS ANY SUB-
STANTIVE CHANGES, PLEASE FEEL FREE TO CONTACT STEINBOCK
(395-6971) BEFORE TRANSMITTING THIS DRAFT TO GARRIDO.
AMBASSADOR ALAN WOLFF HAS BEEN TRAVELING AND HAS NOT HAD A
CHANCE TO CLEAR THIS REPORT BEFORE WE SENT IT. HE WILL
CLEAR IT AFTER GARRIDO MAKES WHAT CHANGES HE WANTS.

2. THE TRADE SUBGROUP OF THE U.S.-MEXICO ECONOMIC MECH-
ANISM MET JULY 21 AND 22 IN WASHINGTON, D.C. AT THE OFFICE

OF THE PRESIDENT'S SPECIAL TRADE REPRESENTATIVE AND AT THE DEPARTMENT OF STATE. THE MEXICAN DELEGATION WAS HEADED BY LIC. HECTOR HERNANDEZ, UNDER SECRETARY OF COMMERCE. THE U.S. DELEGATION WAS HEADED BY AMBASSADOR ALAN WOLFF, DEPUTY SPECIAL TRADE REPRESENTATIVE.

3. DURING THE MEETINGS, A NUMBER OF ITEMS OF INTEREST TO BOTH COUNTRIES WERE DISCUSSED. EACH DELEGATION REVIEWED ITS OBJECTIVES AND DESCRIBED WHAT IT EXPECTED THE TRADE SUBGROUP TO ACCOMPLISH. DISCUSSIONS WERE HELD CONCERNING THE OUTLOOKS FOR THE ECONOMIES OF EACH COUNTRY, AND THEIR IMPLICATIONS FOR TRADE POLICY. THE MEXICAN DELEGATION NOTED THAT ALTHOUGH MEXICO CURRENTLY HAD A SMALL TRADE SURPLUS WITH THE UNITED STATES, THIS WAS A VARIATION FROM THE HISTORICAL PATTERN. THE U.S. DELEGATION NOTED THAT DUE TO THE HIGH LEVELS OF UNEMPLOYMENT THE U.S. GOVERNMENT WAS UNDER VERY GREAT PRESSURE TO PLACE RESTRICTIONS ON A NUMBER OF ITEMS. THE U.S. GOVERNMENT HAD RESISTED THIS PRESSURE SO FAR. UNDER THESE CIRCUMSTANCES, THE MOST SIGNIFICANT CONTRIBUTION TO TRADE LIBERALIZATION THE U.S. WAS MAKING AT THE MOMENT WAS TO KEEP THE U.S. MARKET AS OPEN AS POSSIBLE. ONE METHOD THE UNITED STATES RECENTLY HAD USED WITH SUCCESS WAS TO DIRECT SAFEGUARD UNCLASSIFIED

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ACTIONS TO ONLY THOSE FEW SOURCES CAUSING PROBLEMS.

4. THE MEXICAN DELEGATION STATED THAT THE GOVERNMENT OF MEXICO HAD BEGUN TO REVISE ITS TRADE POLICY, WITH THE AIM OF GRADUALLY REDUCING THE NUMBER OF IMPORTS SUBJECT TO QUANTITATIVE RESTRICTIONS. SOME 500-600 TARIFF ITEMS HAD BEEN ELIMINATED FROM LICENSING REQUIREMENTS. MEXICO REQUESTED THAT ITS TRADE LIBERALIZATION MEASURES BE RECOGNIZED AS BOTH A CONTRIBUTION IN THE MULTILATERAL TRADE NEGOTIATIONS AND A CONTRIBUTION TO JOINING THE GATT. THE UNITED STATES DELEGATION WELCOMED MEXICO'S STEPS TOWARDS PHASING OUT OF IMPORT LICENSING REQUIREMENTS AND, ALTHOUGH NO DECISION HAS BEEN TAKEN YET, ITS MOVEMENT TOWARD EVENTUAL GATT MEMBERSHIP.

5. AT THE REQUEST OF THE SUBGROUP ON ENERGY, INDUSTRY INVESTMENT AND MINERALS, THE PARTICIPANTS IN THE SUBGROUP ON TRADE AGREED TO EXAMINE AT THEIR NEXT MEETING THE INTERNATIONAL TRADE CONSEQUENCES OF MEXICO'S RECENT AUTOMOBILE LEGISLATION.

6. THE SUBGROUP HAD AN INTENSIVE DISCUSSION ON DEVELOPMENTS IN THE GENEVA MULTILATERAL TRADE NEGOTIATIONS (MTN), INCLUDING THE PRESENT STATUS, THE PROPOSED TIMETABLE FOR PROMPTLY COMPLETING THE NEGOTIATIONS, AND WAYS TO ACHIEVE SPECIAL AND DIFFERENTIAL TREATMENT FOR THE DEVELOPING COUNTRIES. THE U.S. DELEGATION OUTLINED THE TIMETABLE IT WAS

PROPOSING TO THE OTHER MTN PARTICIPANTS TO OBTAIN THE
TIMELY COMPLETION OF THE MTN, AND REQUESTED THE SUPPORT OF
MEXICO FOR THIS TIMETABLE. THE MEXICAN DELEGATION
GENERALLY SUPPORTED THE TIMETABLE, WITH THE PROVISIO THAT

THE SPECIAL INTERESTS OF THE DEVELOPING COUNTRIES COULD BE
TAKEN INTO ACCOUNT WITHIN THE SHORTENED TIMEFRAME. THE
U.S. DELEGATION NOTED THAT IT WOULD SUPPORT EFFORTS TO
TAKE THE INTERESTS OF DEVELOPING COUNTRIES INTO ACCOUNT IN
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THE SAME TIMETABLE, AND WAS PREPARING TO CONDUCT AN INTEN-
SIVE INTERNAL REVIEW OF ITS POLICY TOWARD THE DEVELOPING
COUNTRIES IN THE MTN. THE U.S. DELEGATION OFFERED TO
HOLD MORE INTENSIVE CONSULTATIONS WITH MEXICO IN LATE
AUGUST IN ORDER TO DISCUSS THE RESULTS OF THE INTERNAL RE-
VIEW. INITIAL VIEWS WERE EXCHANGED ON VARIOUS ASPECTS OF
SPECIAL AND DIFFERENTIAL TREATMENT UNDER CONSIDERATION FOR
EACH OF THE MTN GROUPS. THE U.S. DELEGATION URGED THE
MEXICAN DELEGATION TO ESTABLISH PRIORITIES AMONG THE MANY
SUGGESTIONS MEXICO AND OTHER DEVELOPING COUNTRIES HAVE PUT
FORWARD ON SPECIAL AND DIFFERENTIAL TREATMENT.

7. THE UNITED STATES AND MEXICO REACHED AGREEMENT IN
PRINCIPLE ON THE MTN TROPICAL PRODUCTS AGREEMENT WHICH
THEY HAD BEEN NEGOTIATING. FULL AGREEMENT WAS REACHED ON
THE TEXT OF THE AGREEMENT, BUT THE EXACT COVERAGE REMAINED
UNDER DISCUSSION. IT WAS AGREED THAT EACH COUNTRY WOULD
CONTINUE TO CONSULT INTERNALLY, AND WOULD RESUME NEGOTIA-
TIONS WITHIN FIFTEEN DAYS.

8. THE PARTICIPANTS IN THE SUBGROUP DISCUSSED THE OPER-
ATION OF THE U.S. GENERALIZED SYSTEM OF PREFERENCES,
INCLUDING THE STATUS OF THE CURRENT INTERNAL U.S. REVIEW
OF GSP. MEXICO WAS INVITED TO SUBMIT PROPOSALS FOR
CHANGES. THE MEXICAN DELEGATION SUGGESTED THERE MIGHT BE
SEVERAL ADMINISTRATIVE CHANGES THAT COULD BE MADE IN THE
SYSTEM TO INCREASE MEXICO'S BENEFITS. FOR EXAMPLE, THE
UNITED STATES MIGHT CONSIDER CREATING ADDITIONAL TARIFF
CATEGORIES TO ISOLATE THE LESS SENSITIVE IMPORTS IN SOME
TARIFF CATEGORIES. MEXICO SUGGESTED THAT ONE ADMINIS-
TRATIVE CHANGE MIGHT BE SOME REVISION IN THE 50 PERCENT
COMPETITIVE NEED EXCLUSION. ANOTHER SUGGESTION WAS THAT
IN COUNTING IMPORTS FOR PURPOSES OF CALCULATING WHETHER
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OR NOT COMPETITIVE NEED CEILINGS HAD BEEN REACHED, ONLY
THE VALUE ADDED BY MEXICO TO A PRODUCT PRODUCED IN THE
BORDER INDUSTRIES UNDER ITEMS 806.30 AND 807 SHOULD BE
NOTED. IN ADDITION, THE MEXICAN DELEGATION FELT

THAT THERE MIGHT BE MORE FLEXIBLE USE OF TSUS 806.30 AND 807. THE U.S. DELEGATION AGREED TO STUDY THE MEXICAN SUGGESTIONS, BUT NOTED THAT U.S. LEGISLATION WAS QUITE SPECIFIC ON A NUMBER OF THESE POINTS.

9. THE MEXICAN DELEGATION NOTED ITS INTEREST IN BEING ABLE TO PLAN ITS AGRICULTURAL PRODUCTION ON A RATIONAL BASIS THAT WOULD ALLOW FOR ENOUGH PRODUCTION FOR BOTH ITS DOMESTIC MARKET AND EXPORTS WITHOUT OVERPRODUCTION. THE MEXICAN DELEGATION STATED IT WOULD LIKE TO SEE SOME KIND OF AGREEMENT BETWEEN THE U.S. AND MEXICAN AGRICULTURE MINISTRIES TO SEE WHERE AND HOW MEXICO MIGHT PROVIDE SOME OF THE U.S. AGRICULTURAL NEEDS, INCLUDING RECURRING SHORTFALLS IN DOMESTIC PRODUCTION, ON AN ASSURED BASIS WITHOUT HURTING SENSITIVE U.S. PRODUCTION. SOME EXAMPLES GIVEN INCLUDED THE POSSIBILITY OF SEASONAL TARIFF REDUCTIONS ON AN ASSURED BASIS AND MEXICAN ACCESS TO U.S. LONG-RANGE SUPPLY AND DEMAND FORECASTS. THE MEXICAN DELEGATION WAS INVITED TO ELABORATE ON ITS IDEAS AT THE NEXT MEETING OF THE SUBGROUP.

10. THE MEXICAN DELEGATION ALSO NOTED THAT THE CONCEPT OF MEXICO SHIPPING PRODUCTS TO THE U.S. IN NONSENSITIVE AREAS OF INDUSTRIAL PRODUCTS TO COMPLEMENT SHORTFALLS IN DOMESTIC PRODUCTION ALSO MIGHT BE FEASIBLE. IT CITED TRADE IN STEEL PRODUCTS AS AN EXAMPLE.

11. THE SUBGROUP REVIEWED PENDING ACTIONS UNDER THE TRADE ACT ON A VARIETY OF PRODUCTS. THE U.S. DELEGATION AGREED TO GIVE MEXICO A COMPLETE LISTING OF THE STATUS OF PENDING CASES.

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12. THE U.S. DELEGATION URGED MEXICO TO BRING TO ITS ATTENTION ANY SPECIFIC PROBLEMS IT HAS WITH U.S. REGULATIONS. IT WAS FELT THAT CLOSER CONTACT ON THESE PROBLEMS COULD LEAD TO A BETTER UNDERSTANDING, AND POSSIBLE RESOLUTION OF THESE PROBLEMS. IN THIS RESPECT, THE MEXICAN DELEGATION ASKED THE UNITED STATES TO TAKE FORMAL NOTE OF MEXICO'S ELIMINATION OF ITS SUBSIDY ON RAIL TRANSPORT, AND THE FACT THAT SULPHUR WAS NO LONGER BEING SOLD UNDER THE PREVIOUS CONDITIONS. THE U.S. DELEGATION NOTED THAT THE CUSTOMS SERVICE HAS NEARLY COMPLETED ITS FINAL REPORT ON SULPHUR IMPORTS FROM MEXICO AND THAT ASSUMING WHAT WE UNDERSTAND TO BE THE CASE PROVES TRUE, THE U.S. WILL SHORTLY REVOKE THE DUMPING FINDING ON MEXICO'S PRINCIPAL EXPORTER.

13. THE U.S. DELEGATION ASKED MEXICO TO REPLY TO ITS INQUIRY AS TO WHETHER MEXICO COULD OPERATE A CERTIFICATION PROGRAM FOR CAJETA TO ASSURE THAT ONLY PRODUCTS MADE

FROM GOAT'S MILK WOULD BE EXPORTED. THE U.S. DELEGATION ALSO NOTED THAT THERE WAS A NEED FOR INCREASED U.S. AND MEXICAN COOPERATION ON RESOLVING THE PROBLEM OF MEDITERRANEAN FRUIT FLY INFESTATION. IF THIS PROBLEM IS NOT

RESOLVED QUICKLY AND TO U.S. SATISFACTION, THERE IS A POSSIBILITY THAT MEXICO'S EXPORTS OF WINTER FRUITS AND VEGETABLES WILL HAVE TO BE DENIED ENTRY TO THE U.S. MARKET.

14. THE PARTICIPANTS IN THE SUBGROUP HELD DISCUSSIONS ON SPECIFIC COMMODITIES AND PROGRESS IN THE INTERNATIONAL NEGOTIATIONS OF COMMODITY AGREEMENTS. THEY FELT THAT THIS EXCHANGE OF VIEWS WAS IMPORTANT AND SHOULD BE CONTINUED. IT WAS AGREED THAT THE U.S. AND MEXICO WILL HOLD INFORMAL CONSULTATIONS ON COMMODITY ISSUES IN THE FALL IN MEXICO
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CITY TO DISCUSS EACH COUNTRY'S POSITIONS PRIOR TO THE RESUMPTION OF NEGOTIATIONS IN GENEVA IN NOVEMBER.

15. THE PARTICIPANTS AGREED THAT THE SUBGROUP MEETING HAD BEEN VERY USEFUL. THE MUTUAL EXCHANGE OF VIEWS HAD LAID A FOUNDATION FOR WHAT WILL BE A CONTINUING DISCUSSION ON TRADE. IT WAS AGREED THAT THE SUBGROUP, CHAIRED BY UNDER SECRETARY HERNANDEZ AND AMBASSADOR WOLFF, MAY MEET APPROXIMATELY EVERY SIX MONTHS. THESE DISCUSSIONS WILL BE PARTICULARLY HELPFUL AS THE PACE OF THE MTN QUICKENS. TO ENSURE THAT TRADE PROBLEMS CAN BE FOLLOWED CLOSELY, MR. GARRIDO AND MR. LANDE WERE ASKED TO MAINTAIN CONTACT ON A CONTINUING BASIS. CHRISTOPHER

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